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April 15, 2008

**VIA E-MAIL AND HAND DELIVERY**

Jim Ward  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-7250

Re: Roche Harbor Water System – UW-080562 – Data Request 3

Dear Mr. Ward:

In your Data Request dated April 14, 2008, you expressed three concerns about the proposed \$5.00 per month maintenance charge. The purpose of this letter is to respond to those concerns.

The monies raised from the maintenance charge would be spent on replacing distribution mains and only on replacing distribution mains. There are portions of the Company's system that are very old. Customers have expressed concern about the need to replace the mains before a main break occurs and customers are out of water. The maintenance charge would provide the mechanism to proceed in that direction.

It is not possible to predict in advance how much of a capital project would be financed through the reserve or how much would be financed through equity. It depends upon the point in time that expenditures have to be made. It may be that one hundred percent of the expenditure will be from the reserve fund.

The advantage to the customer of the reserve fund is it provides a relatively low monthly payment which is not marked up for an equity investment recovery or the cost of debt that would be paid to a bank. Customers that have contacted the Company seem to appreciate the idea that

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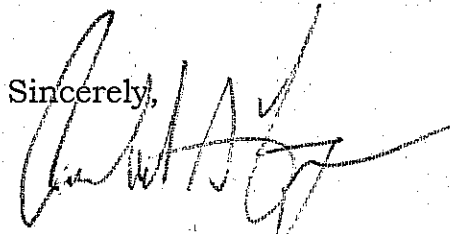
they are making an investment in the water system that will ultimately cost them less than what the customers would pay under a different financing mechanism. In addition, until they are used, the funds will be in an interest bearing account, thereby generating additional monies that would be used for this purpose.

Expenditures could be made out of the fund only as authorized by a majority vote of the five member consumer board. The Resort will have one voting member. That means the other four members can control the majority decision on how the money is spent. Again, the customers that have contacted the Company view the creation of the consumer board as an important step forward. This removes the Resort from any implication that the Resort is driving the water company to make decisions concerning the water system that benefit the Resort and not other customers.

It is contemplated that the initial board will consist of volunteers from each of the five geographic areas described in the tariff filing. The thought is that the consumer board would thereafter be elected. Although, for the geographic area comprised of the Resort, since the Resort is the only customer it would appoint a member. With the other four members being elected, this is very close to how a water district operates with the representatives being chosen by the customers.

You also asked what would happen if the water company was sold to an entity not regulated by the Commission. The only practical way that would happen is if the customers formed a water district and purchased the system. In that case, the customers vote for the water district commissioners just as they do the consumer board members. It would be up to the elected commissioners to determine what would happen with the reserve account funds. However, as elected officials, it can be presumed that they would act in the best interest of their electorate.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard A. Finnigan", written over a horizontal line.

RICHARD A. FINNIGAN

RAF/km

cc: David Gibbs (via e-mail)